

Complaint

Miss B has complained about a credit card and the subsequent credit limit increases NewDay Ltd (trading as “Aqua”) provided to her. She says that the credit card and the limit increases were unaffordable for her and left her financially disadvantaged.

Background

Aqua provided Miss B with a credit card, which had an initial credit limit of £900, in November 2014. This credit limit was increased to £1,100.00 in April 2015, £1,900.00 in October 2015, £2,900.00 in February 2016, before it was finally increased to £4,150.00 in September 2016.

One of our investigators reviewed what Miss B and Aqua had told us. And she thought Aqua shouldn't have agreed to provide Miss B with a credit card at the outset. So she recommended that the complaint should be upheld and that Aqua needed to refund all interest, fees and charges it charged.

Aqua disagreed and asked for an ombudsman to look at the complaint.

My provisional decision of 28 July 2025

I issued a provisional decision – on 28 July 2025 - setting out why I wasn't intending to uphold Miss B's complaint.

In summary, I was satisfied that that proportionate checks wouldn't have prevented Aqua from providing Miss B with her credit card or her limit increases. In these circumstances, I was of the view that it wasn't unfair for Aqua to have lent to Miss B.

Aqua's response to my provisional decision

Aqua didn't respond to my provisional decision or ask for any additional time in order to do so.

Miss B's response to my provisional decision

Miss B confirmed receiving my provisional decision but didn't provide anything further for me to consider.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss B's complaint.

Having carefully considered everything, including what has happened since my provisional decision, I'm still not upholding Miss B's complaint. I'll explain why in a little more detail.

Aqua needed to make sure it didn't lend irresponsibly. In practice, what this means is Aqua needed to carry out proportionate checks to be able to understand whether Miss B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Aqua says it agreed to Miss B's initial application after it obtained information on her income and carried out a credit searches. And the information obtained indicated that Miss B would be able to make the monthly repayments due for the credit card. Due to Miss B's account being relatively well managed and the information on the credit checks it carried out, Miss B was then subsequently offered her credit limit increases.

On the other hand, Miss B says that she shouldn't have been lent to as the credit was unaffordable.

I've considered what the parties have said.

Did Aqua carry out reasonable and proportionate checks before its initial decision to provide Miss B with her credit card as well as the first credit limit increase?

Aqua's initial decision to provide Miss B with a credit card

What's important to note is that Miss B was provided with a revolving credit facility rather than a loan. This means that to start with Aqua was required to understand whether a credit limit of £900 could be repaid within a reasonable period of time, rather than all in one go. While I've noted the investigator's assessment referred to a reasonable period of time being six months, it's important to note that the only guidance on a reasonable period of time, is contained in CONC 5.3.1G (8)(b)¹.

It states that a lender should have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. I don't think that a consumer would always be expected to repay a loan of £900 over a maximum term of 6 months. Indeed, it wasn't uncommon to see loan terms of 12-15 months for such amounts borrowed at the time Miss B was provided with her credit card. So I don't agree that Aqua needed to ensure that Miss B was able to repay £900 within six months.

For the initial application, I can see that Aqua's credit search appears to show that Miss B had no significant adverse information – such as defaulted accounts or county court judgments ("CCJ") recorded against her. Furthermore, Miss B appears to have had no active outstanding credit.

¹ This version of the rule was in place when Miss B was initially provided with her credit card in November 2014.

Our investigator concluded that it was unfair for Aqua to lend as its checks suggested that Miss B had a disposable income of just over £200, when estimates of her living costs and housing costs were deducted from her income. And in her view this meant that Miss B had sufficient funds to repay £900 within a reasonable period of time. I've thought about what the investigator has said.

In the first instance, I do think that a disposable income of £200 was enough to repay £900 within a reasonable period of time. This is particularly as I don't think that there could reasonably be an expectation that Miss B would have to repay £900 in six months. So I don't agree with the investigator's suggestion that the information in Aqua's checks demonstrated that it shouldn't have provided Miss B with her credit card.

For the sake of completeness, I'd also add that Aqua appears to have estimated that Miss B had living costs and housing costs of around £630 a month. Having considered the information Miss B has provided on her circumstances at this time, it's clear that her actual living costs and housing costs in around November 2014 were significantly lower than this. So it seems to me that the information Aqua gathered prior to lending overestimated Miss B's income and a credit limit of £900 was as a matter of fact affordable for her, based on her actual circumstances.

As this is the case, I'm satisfied that it wasn't unfair for Aqua to have provided Miss B with a credit card that had a credit limit of £900 in November 2014.

Aqua's decision to offer the first credit limit increase to Miss B

The first limit increase was offered to Miss B in April 2015. Aqua offered to increase Miss B's credit limit to £1,110.00 from £900. Given Miss B's credit limit was only being increased by £200, there is an argument for saying that this increase wasn't significant and that there was no need to conduct a further assessment of affordability.

In any event, I can see that Miss B still didn't have any adverse information recorded against her. Equally, the overall amount she owed to creditors was still low. I'm also mindful that Miss B had also made monthly repayments of an amount that was commensurate with repaying £1,100.00 in a reasonable period in the period of time, since she'd initially been provided with the card.

Bearing this in mind, I'm currently minded to conclude that Aqua was reasonably entitled to believe Miss B could afford to repay the extra £200 she could owe as a result of her limit being increased. Therefore, it wasn't unfair for Aqua to have offered to increase Miss B's credit limit to £1,100.00 in April 2015.

Did Aqua carry out reasonable and proportionate checks before offering the second limit increase in November 2015, the third limit increase in February 2016 or the fourth limit increase in September 2016?

Aqua's checks in November 2015, February 2016 and September 2016 appear to be similar to the ones it previously carried out. I can't see that Miss B had any defaults or CCJs recorded against her at the times these limit increases were offered. Furthermore, in November 2015 Miss B appears to have external indebtedness of around £1,100.00, this had increased to around £1,600.00 by February 2016 and then around £3,300.00 by November 2015.

It's fair to say that Miss B's indebtedness had increased. But it's also fair to say that this wasn't exponentially. Equally, the lack of any adverse information recorded against Miss B

suggests that this increase wasn't happening in way that was unsustainable or otherwise harmful for her either.

Nonetheless, by the time of the second limit increase, Miss B's credit limit was being increased to close to £2,000.00. In these circumstances, I think that Aqua needed to get an understanding of Miss B's actual income and expenditure, rather than rely on estimates, in order to properly understand whether she was able to repay this additional credit.

I can't see that Aqua did do this, or that it took any additional steps to account for the fact that it was agreeing to lend Miss B increased amounts. As this is the case, I'm intending to find that Aqua did not complete fair, reasonable and proportionate affordability checks before agreeing to provide the second, third and fourth limit increases to Miss B.

Would reasonable and proportionate checks have indicated to Aqua that Miss B would have been unable to repay the second, third and fourth limit increases?

As I think that Aqua ought to have done more, I've gone on to decide what I think Aqua is more likely than not to have seen had it carried out further checks before providing the extra credit in question.

As previously explained, given the circumstances, I would have expected Aqua to have had a reasonable understanding about Miss B's regular living expenses as well as her income and existing credit commitments before providing the second, third and fourth limit increases.

I've considered the information Miss B has provided on her circumstances at the respective times and I don't think that Aqua attempting to find out further information about Miss B's actual living costs, rather than relying on any assumptions like it appears to have done, would have made a difference here.

I say this because I've not seen anything that shows me that Miss B's committed regular living expenses, other non-discretionary expenditure and her existing credit commitments meant that she did not have the funds to make sustainable repayments to any combination of balances that could have been owed, as a result of having these limit increases, at the time that the credit was offered. Indeed, Miss B's actual committed expenditure was low and she appears to have had the funds to make the payments required here.

So I can't see that requesting further information about Miss B's actual living costs, would have shown Aqua that it shouldn't have offered to increase Miss B's credit limit in November 2015, February 2016 or September 2016. Consequently, I'm not persuaded that it doing more here would, in any event, have made a difference to its decisions and I don't think that it was unfair for Aqua to offer these credit limit increases.

For the sake of completeness, I'm also mindful that these credit limit increases were offered over a period of approaching two years. Most importantly, I can't see that this is a case where Miss B immediately used all of the available credit and then remained stuck at the upper end of what she owed either.

For example, Miss B owed around £760 (on a limit of £900) at the time increase one was applied, around £985 (on a limit of £1,100.00) at the time limit increase two was applied, around £1,500.00 (on a limit of £1,900.00) when limit was applied, and finally a similar amount (on a limit of £2,900.00) when the final limit increase was applied.

So this isn't a case where Miss B was immediately utilising all of the credit available to her and looking at her repayment record it's also fair to say that she was regularly making

monthly payments that were substantially above the minimum payment. I also need to consider all of this in the context of the fact that Miss B doesn't appear to have made cash withdrawals and also what I've previously said about the fact that Miss B didn't have any other adverse information recorded against her over this time. All of this suggests that Miss B was reasonably managing the credit she was being provided with.

Therefore, this isn't a case where I can reasonably say that the limit increases and Miss B's account usage ought reasonably to have shown Aqua that Miss B's indebtedness, on her credit card, was rapidly increasing in an uncontrollable way, or that the pattern of lending here ought reasonably to have led Aqua to conclude that the facility had become demonstrably unsustainable for Miss B either.

In reaching my conclusions, I've also considered whether the lending relationship between Aqua and Miss B might have been unfair to Miss B under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I'm currently not persuaded that Aqua irresponsibly lent to Miss B or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I'm sorry to hear that Miss B found making her credit card payments a struggle, I don't think that Aqua treated Miss B unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit on the occasions it did. Therefore, I'm not upholding Miss B's complaint. I appreciate this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 28 July 2025, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 9 September 2025.

Jeshen Narayanan
Ombudsman